

OPENING STATEMENT OF JOHN MCCAIN, RANKING MEMBER

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

HEARING ON THE CURRENT STATE OF AMERICAN

MANUFACTURING INDUSTRIES

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- Thank you, Mr. Chairman -- and thank you for continuing the dialogue on this important topic. While I know that members of this Committee do not always see eye-to-eye on trade issues, I think that we all benefit from this debate. Chairman Hollings, I would like to congratulate you for ensuring that both sides are well represented here today. I think we can expect a lively debate.
- I am an active proponent of free trade, and it is clear to me that free trade promotes prosperity, both domestically and abroad. Trade produces wealth and technological advancement, thereby encouraging innovation, competition, and improved productivity. U.S. corporations are not the only beneficiaries of free trade. Consumers benefit from the dramatically reduced prices of goods and services trade brings, allowing them to stretch their dollars further. By 2005, the Office of the United States Trade Representative estimates that reduced tariffs will allow the average American family of four to almost double their purchasing power on household items.
- This is by no means a new debate, but I hope that the protectionist tendencies on both sides of the aisle will not deter the United States from enjoying the existing, and potential, benefits of free trade. Globally, the interdependence fostered by free trade benefits all global citizens. Multilateral trade agreements and membership in organizations such as the WTO advance democratic values and encourage free markets, transparency, the rule of law. Conflicts and wars are less likely to occur between trading partners, freely exchanging goods and services. From this perspective, free trade is more important now than it has ever been.
- While there are many benefits associated with free trade, employment displacement remains a concern in the trade debate. Job displacement is an unfortunate aspect of free market economies, whether due to technological advancement, changes in consumer preferences, or trade. Just as the automobile replaced the buggy, new technologies will continue to emerge, and old technologies eventually become obsolete. These changes naturally result in both the creation and the loss of jobs. While buggy manufacturers were forced to cut jobs, the new automobile industry created many more. This cycle will continue as long as innovation and ingenuity remain.

- Today, much of our manufacturing labor force has shifted from labor intensive to capital intensive work. Not only are more Americans now employed thanks to freer trade, they now work in better, higher paying jobs. Export supported jobs pay an average of 16 to 20% more than the average wage. Trade has given workers the opportunity to earn more and stretch their dollars further than ever before, improving the overall quality of life. Workers displaced by major industrial shifts merit attention and concern, but do not in any way justify protectionist actions.
- In general, U.S. workers benefit more from free trade than from protectionism. According to the Office of the U.S. Trade Representative, in just four years -- from 1994 to 1998 -- 1.8 million new jobs were created by the increased exportation of goods and services. During this same period, the unemployment rate declined from 6.1 to 4.5%. When the U.S. trade deficit expanded, unemployment levels continued to decline.
- Isolationist and protectionist sentiments are natural in a nation as vast as the United States. For many years we did not need to rely on other nations to provide us with goods and services, we produced them ourselves. Today, our economic strength has created a demand greater than our production capacity, and we need to import goods in order to meet the demands of our consumers. Our trade deficit should be celebrated as a sign of our economic strength.
- The world is now politically and economically interdependent. It is time to stop hesitating. Rather than fear freer trade, we must embrace it.